Canada GDP soft in October

Latest available: October
Release date: December 23, 2019

The 0.1% decline in GDP in October was the first monthly drop in 8 months in what is an often volatile set of data. Output in the goods sector posted a 0.5% decline, and marking the third drop in the last 4 months. 'Transitory' factors once again appeared to be at play. Goods-sector output, particularly manufacturing production, has been soft for some time, both in Canada and abroad as global supply chains were impacted by rising US-China tariffs. And service-sector output still looks reasonably solid in Canada. To be sure, the October economic data in Canada have been softer-than-expected.
Canada's jobs numbers cause a sigh of relief

Latest available: December
Release date: January 10, 2020

Unemployment rate fell to 5.6% from 5.9%, and job growth averaged 27,000 in 2019. These were the jobs numbers we were all hoping for following November's ugly employment report. But these numbers on their own won't necessarily keep the Bank of Canada on the sidelines. GDP data for H2/19 has been disappointing, and a slightly softer labour market over that period suggests transitory factors aren't solely to blame for sub-trend growth.

Canadian retail sales down 1.2% in October

Latest available: October
Release date: December 20, 2019

The larger-than-expected 1.2% drop in sales in October - which was an even larger 1.4% drop excluding the impact of price-changes - caps off a month of broadly soft economic data reports following earlier-reported declines in October wholesale and manufacturing sale volumes. The numbers will keep concerns alive that the domestic Canadian economic growth backdrop has lost its footing somewhat at the end of the year, particularly after an unusually bad looking November employment report. Q4 GDP growth now looks like it's tracking firmly below the Bank of Canada's call for a 1.3% increase (and our own 1.4% call).

Housing starts end 2019 on a softer note

Latest available: December
Release date: January 9, 2020

Housing starts lost a bit of steam toward the end of last year, slipping to an annualized pace of 201,000 in Q4/19 from a rate closer to 220,000 in the prior two quarters. We think starts will settle in the middle of that range in 2020, not far from the 209,000 pace seen in 2019. That would be consistent with a resurgent housing market—which we see extending into this year—and strong demographics (Canada's population now growing at its fastest rate since the early-90s). Also, with building permits still running faster than the pace of starts (and having done so for more than a year) we think there is scope for the latter to improve early this year.
Canadian trade deficit smaller but for the wrong reasons
Latest available: November
Release date: January 7, 2020

The November international trade deficit narrowed, but only because imports posted a larger decline (-2.4% m/m) than exports (-1.4% m/m). Excluding the impact of price changes, export volumes declined a larger 1.9% and imports of machinery and equipment - a key indicator of Canadian domestic investment spending - declined. Still, there were, once again, transitory factors at play. Energy export volumes plunged almost 11% as a major pipeline shutdown hampered oil exports. The data comes on the heels of a soft run of economic numbers for October - culminating in a 0.1% decline in GDP in that month - and follows a very soft November labour market report.

Not just an energy story: core CPI hits cycle-high decision
Latest available: November
Release date: December 18, 2019

The jump in headline inflation in November was mostly due to base effects, with energy prices having fallen sharply toward the end of 2018. Inflation should remain above 2% until that decline washes out of the year-over-year calculation. The BoC's core measures averaged 2.2% in November, the strongest pace in a decade. And prices for goods excluding food and energy are growing at their fastest rate since a currency-driven increase in 2015-16. Consumers can be forgiven for thinking prices are rising even faster than the headline rate suggests. Prices for food purchased from stores have been growing at 4% for the last six months.